

§ 1965.69 [Reserved]

§ 1965.70 Reamortization.

(a) *General.* State Directors may approve the reamortization of RRH, RCH, and LH loan accounts within their approval authority for the type of loan involved. RHS loans will not be reamortized and will be serviced according to program requirements. If an RHS loan becomes seriously delinquent and efforts to sell the lots are not successful, the account will be liquidated according to subpart A of part 1955 of this chapter. The reamortization of an account will make the borrower subject to the restrictive-use provisions contained in exhibit A-1 of subpart E of this part.

(b) *Conditions for reamortization.* The conditions under which a reamortization will be considered are:

(1) The borrower has made extra payments and/or refunds totaling 10 percent or more of the original loan amounts being reamortized (from sources other than the sale of units within the LH, RRH, or RCH project), and the State Director determines that the borrower and the tenants cannot reasonably be expected to meet their obligations unless the account is reamortized to reduce substantially the FmHA or its successor agency under Public Law 103-354 installments and rental rates; or,

(2) The borrower has a substantial delinquency which was caused by circumstances beyond the ultimate control of the borrower that cannot be cured within one year, and the borrower has acted in good faith and has complied with all applicable FmHA or its successor agency under Public Law 103-354 procedures and policies governing the particular program under which the loan is made; or

(3) The borrower has received an equity loan as an incentive to avert prepayment, or a subsequent loan has been made to a nonprofit corporation or public agency to purchase a project to avert prepayment; or

(4) And, all of the following conditions exist and are adequately documented in the official case file and on Form FmHA or its successor agency under Public Law 103-354 1951-33, "Reamortization Request," as appropriate:

(i) The reamortization will not operate to the financial detriment of the FmHA or its successor agency under Public Law 103-354 or impair the security rights of the FmHA or its successor agency under Public Law 103-354.

(ii) The budget or plan of operations for the borrower provides reasonable assurance that the newly scheduled payments will be made according to the terms of the proposed reamortization, and that the charges for the use of the facility or service are within the payment ability of those it is intended to serve and are comparable to other similar units in the area; and, the rent increase procedures set forth in exhibit C of subpart C of part 1930 of this chapter will be followed if any increase in rental rates is required.

(iii) The Board of Directors and membership will retain, or have definite plans for obtaining, membership and community support; and, will provide competent management for the continued operation of the borrower entity and the facility financed with the loan.

(iv) The State Director believes that reamortization will enable the borrower to operate successfully and carry out the purpose of the loan.

(v) The FmHA or its successor agency under Public Law 103-354 lien position remains unchanged.

(vi) The approval official must be satisfied that the security (including the potential income for debt service) will be adequate to protect the FmHA or its successor agency under Public Law 103-354's interests over the term of the reamortization. An appraisal as required by FmHA or its successor agency under Public Law 103-354 Instruction 1922-B (available in any FmHA or its successor agency under Public Law 103-354 office) must be made and must reflect that the security is adequate for the principal and interest being reamortized when the reamortization will extend the term of the repayment period more than 5 years.

(vii) The borrower has corrected any management deficiencies which may have contributed to the borrower's previous inability to generate sufficient income to bring or keep the account